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ACTION IO-03

INFO OCT-01 EUR-10 EA-07 ISO-00 AF-04 ARA-10 NEA-06 RSC-01

AID-05 CIAE-00 COME-00 EB-03 FRB-01 INR-10 NSAE-00

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TO SECSTATE WASHDC 7411

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AMEMBASSY VIENNA

UNCLAS SECTION 1 OF 2 BANGKOK 16079

E.O. 11652: N/A

TAGS: OCON:ESCAP

SUBJ: RED:ESCAP:SPECIAL PREPARATORY MEETING FOR SECOND GENERAL
CONFERENCE OF UNIDO, BANGKOK, OCTOBER 31 - NOVEMBER
4, 1974

VIENNA PASS US MISSION UNIDO

1. SUMMARY: ASIAN VARIANT FOR CREATING NEW INTERNATIONAL
INDUSTRIAL ORDER CLEARLY EVIDENT IN SEVEN MEMBER EXPERT
GROUP REPORT. STATEMENT DISCUSSES INDUSTRIAL ISSUES, STRATEGY
FOR ACTION AND PRESENTATION AT UNIDO II, LIMA. RESOLUTION
OF ASIANS INDUSTRIAL PROBLEM BEST ACHIEVED THROUGH TWO-PRONGED
STRATEGY OF INDUSTRIAL COOPERATION BETWEEN DEVELOPED
AND DEVELOPING COUNTRIES AND LDC AMONG THEMSELVES BOTH
REGIONALLY AND INTERREGIONALLY. ESCAP PROPOSED FOR MAJOR
COORDINATING ROLE. GROUP RECOMMENDS STRONGLY EXPANSION
OF ESCAP WORK PROGRAM IN FIELD OF INDUSTRIAL DEVELOPMENT
THROUGH JOINT ESCAP/UNIDO DIVISION OF INDUSTRY AND HOUSING.
END SUMMARY.

2. REPORT OF EXPERT GROUP RE SUBJECT MEETING (IHT/SPM-UNIDO
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(2)/3, DATED SEPT. 27, 1974) AIR MAILED BSTOKES, IO/CMD, OCTOBER
3RD. REPORT REVIEWED CURRENT INDUSTRIAL SITUATION WHICH

INCLUDED PRONUNCIAMENTO THAT PROSPECTS FOR INDUSTRIALIZATION IN ASIAN LDCS WERE PRECARIOUS. SPECIFIC PROBLEM OF ASIAN INDUSTRIAL SECTOR WAS CLASSIFIED INTO THREE CATEGORIES VIZ.:

(Q) MARKED UNDERUTILIZATION OF EXISTING CAPACITIES IN ALL SECTORS OF INDUSTRY;

(B) SLOW DOWN OF PROJECTS CURRENTLY BEING IMPLEMENTED,

(C) DIFFICULTIES IN PLANNING FOR ADDITIONAL INVESTMENTED,

3. GENERAL GOALS OF ASIAN INDUSTRIALIZATION STATED TO BE GROWTH WITH SOCIAL JUSTICE AND INCREASED SELF-RELIANCE WITHIN FRAMEWORK OF NEW INTERNATIONAL ECONOMIC ORDER.

4. GENERAL STRATEGY OF ACTION SECTION NOTED THAT MANY LDC PROBLEMS HAD ROOTS IN ATTITUDES OF INDUSTRIALIZED COUNTRIES WHICH PRODUCED INEQUALITIES IN DISTRIBUTION OF PRODUCTION AND UNEQUAL ECONOMIC RELATIONS. MAJOR THRUST OF ASIAN STRATEGY IS TO RAISE GENERAL LEVEL OF INTERNATIONAL COOPERATION BETWEEN LDCS AND DCS WITH SPECIAL ATTENTION TO COOPERATION AMONG LDCS REGIONALLY AND INTERREGIONALLY AND COOPERATION BETWEEN DCS AND LDCS ON BASIS OF EQUALITY.

5. UNDER SUBSECTION ENTITLED "COOPERATION AMONG LDCS", NINE RECOMMENDATIONS WERE PUT FORTH BY EXPERT GROUP. ALL RECOMMENDATIONS DESIGNED TO AFFECT ECONOMIC INTERGRATION IN REGION.

6 UNDER SUBSECTION ENTITLED "INTERREGIONAL COOPERATION" EMPHASIS WAS GIVEN TO DEVELOPING PARTNERSHIPS AMONG LDCS TO ASSURE OBTAINING FAIR SHARE AND PRICE FROM THEIR NATURAL RESOURCES IN WORLD MARKETS. PROPOSED PARTNERSHIPS DESIGNED TO PRODUCE NEW TRADE RELATIONSHIPS WITH ADEQUATE BENEFITS FOR LDCS. ATTENTION WAS GIVEN IN REPORT TO SEEKING MEANS RELEASE RESOURCES FOR LDC DEVELOPMENT HELD BY OPEC MEMBERS. EXPERT GROUP NOTED THAT OPEC RESOURCES UNFORTUNATELY WERE AT PRESENT BEING SUGGESTED AND PROPOSED FOR USE IN DCS.

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7 SUBSECTION ENTITLED "COOPERATION BETWEEN DC AND LDCS" SINGLED OUT, INTER ALIA, THE ISSUE OF DESIGNING NEW INTERNATIONAL DIVISION OF LABOUR RELATED TO INDUSTRY. EXPERT GROUP RECOMMENDS THAT UNIDO II, LIMA, ADDRESS THIS ISSUE IN DETAIL. NOTED ALSO WERE THE CLEAR ALTERNATIVES FOR FUTURE NATION STATE BEHAVIOR AS GREATER WORLDWIDE COOPERATION BASED ON LONG RUN SELF-INTEREST OR GROWING CONFLICTS AND ANOMIE. THE EXPERT GROUP SINGLED OUT THE QUESTION OF TECHNOLOGIES TRANSFERRED FROM DCS TO LDCS AS INHIBITING R AND D IN LDCS. NOTED

TOO WAS FACT THAT TECHNOLOGIES WERE OFTEN PART OF CREDIT ARRANGEMENTS THAT PRECLUDED LDC EVALUATION ROLE RE APPROPRIATENESS AND COSTS. CRITICISM WAS DIRECTED ALSO AT DCS FOR THE SUBSTANTIAL FOREIGN EXCHANGE FLOWING CONTINUALLY OUT OF LDC FOR ROYALTY PAYMENTS.

8. CURRENT AID PRACTICES WERE CHALLENGED AS NOT OF MUTUAL INTEREST AND IGNORED INDUSTRY GENERALLY AND LARGE SCALE INDUSTRY PARTICULARLY. EXTERNAL AID STRATEGIES WERE PROCLAIMED RIGID AND PROJECT SPECIFIC THUS TENDING TO UNDERLINE CAPACITY CREATION AS OPPOSED TO CAPACITY UTILIZATION. REPORT SUGGESTED THAT IN VIEW OF UNDERUTILIZATION OF CAPACITIES TREND TOWARD PROGRAM LENDING SHOULD BE ACCELERATED FOR NEXT FEW YEARS. DONORS SHOULD MAKE THEIR POLICIES FLEXIBLE GIVING RECIPIENTS CHOICES WHERE AID SHOULD BE DIRECTED FOR PROGRAM PURPOSES AS OPPOSED TO PROJECT SPECIFIC ACTIVITIES. TRANSFER OF RESOURCES IS MEANT HEREIN TO INCLUDE FINANCIAL, HUMAN, PRIMARY PRODUCTS, ENERGY AND TECHNOLOGIES.

9. TRANSNATIONAL COMPANIES WERE CITED AS CHALLENGING THE PRESERVATION OF NATIONAL SOVEREIGNTY (SIC) AND CREATING INAPPROPRIATE CONSUMPTION PATTERNS WHICH WERE NOT CONSISTENT WITH NATIONAL OBJECTIVES. THE EXPERT GROUP NOTED, THEREFORE, CLEAR NEED FOR MAINTAINING ONGOING IMPARTIAL SCRUTINY OVER TRANSNATIONAL COMPANIES IN ESCAP REGION.

10. PART OF THE NEW INTERNATIONAL INDUSTRIAL ORDER AS SEEN BY ESCAP EXPERTS IS THE RELOCATION OF INDUSTRY FROM DCS TO LDCS TO BE ACHIEVED THROUGH CONSULTATIONS AND NEGOTIATIONS.

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11. EXPERT GROUP INVITED ESCAP MEMBERS THROUGH REPORT TO ESTABLISH NATIONAL AGENCIES FOR PURPOSE FUTURE COORDINATION AND FOLLOW-UP RE ACTION ITEMS IN STRATEGY. ESCAP WOULD SERVE AS COORDINATING NEXUS AND SOURCE OF ADVISORY AND TECHNICAL SERVICES. GROUP SUGGESTED THAT UNDP REGIONAL AND INTERNATIONAL FINANCIAL INSTITUTIONS AND ESCAP MEMBERS ASSUME BURDEN AT APPROPRIATELY HIGH LEVELS IN SUPPORTING NEWLY ESTABLISHED JOINT ESCAP/UNIDO DIVISION OF INDUSTRY AND HOUSING IN FOLLOWING SPECIFIC AREAS:

- (A) AGRO-INDUSTRIES,
- (B) INTEGRATED AGRO-INDUSTRIAL COMPLEXES AND AGRICULTURAL MACHINERY,
- (C) DEVELOPMENT AND TRANSFER OF APPROPRIATE TECHNOLOGY,
- (D) INDUSTRIAL PROCESSING OF RAW MATERIALS AND
- (E) INTENSIFICATION OF REGIONAL COOPERATION IN INDUSTRIAL DEVELOPMENT IN LDCS.

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ACTION IO-03

INFO OCT-01 EUR-10 EA-07 ISO-00 AF-04 ARA-10 NEA-06 RSC-01

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12. COMMENT: PRESSURES FROM POPULATION GROWTH, RISING INFLATION, SCARCITY OF FOOD, HIGH COSTS FOR ENERGY COMBINED WITH UNDER-UTILIZATION OF INDUSTRIAL CAPACITY HAVE CONTRIBUTED TO VERY BEARISH OUTLOOK OF ESCAP GROUP OF EXPERTS ON ASIAN INDUSTRIALIZATION. SUBJECT MEETING PROMISES TO AFFORD HIGHLY VISIBLE FORUM FOR ASIAN HAVE NOTS TO VENT INCREASING CONCERN OVER GLOBAL INEQUITIES OF RESOURCE AND WEALTH DISTRIBUTION. ASIAN INDUSTRIAL STRATEGY STATEMENT ARGUES FOR GREATER LEVELS OF COOPERATION AMONG ESCAP MEMBERS BUT ASSUMES COOPERATION WILL FOLLOW MERELY FROM PROCLAMATIONS AND EXHORTATIONS. US ROLE AT SUBJECT MEETING ASSUMED TO BE AS OBSERVER. RED BELIEVES IN VIEW OF BEARISH ASIAN INDUSTRIAL INDICATORS AND EXPECTED CRITICISM OF USG LOW PROFILE ROLE IN ASIAN INDUSTRIAL DEVELOPMENT PARTICULARLY IN ESCAP THAT USDEL REQUIRES POSITION WHICH INDICATES CLEARLY US SUPPORT OF ASIAN INITIATIVES. CONTINUED LOW USG PROFILE IN ASIA INDUSTRIAL DEVELOPMENT, EXCEPT IN WAR AREAS, HELD BY SOME ESCAP COLLEAGUES TO BE NOT IN OUR LONG-TERM INTERESTS. SAME SOURCES, WE AGREE, ARGUE FOR VISIBLE BALANCE BETWEEN BILATERAL AND MULTILATERAL US ASSISTANCE. WE BELIEVE USG MULTILATERAL FINANCED ASSISTANCE VIA FUND TRANSFERS TO UNNNY THENCE TO ECONOMIC COMMISSION TO HAVE VERY BLURRED

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EFFECT AT RECIPIENT LEVEL. IN KEEPING WITH AID PRIORITY OF
AID HELPING PEOPLE IN PRIORITY AREAS, WE RECOMMEND THAT MEANS
BE IDENTIFIED TO RAISE LEVEL US IMAGE IN REGIONAL ECONOMIC
COMMISSION.
MASTERS

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